

**Housing Authority of the
TOWN OF ARCADIA**
Arcadia, Louisiana

**Annual Financial Report
As of and for the Year Ended June 30, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/24/10

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Basic Financial Statements

As of and for the Fiscal Year Ended June 30, 2009

With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Town of Arcadia
Arcadia, Louisiana

I have audited the accompanying basic financial statements of the Housing Authority of the Town of Arcadia (the authority) as of and for the year ended June 30, 2009, as listed in the table of contents. These basic financial statements are the responsibility of the authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of the Housing Authority of the Town of Arcadia as of June 30, 2009, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Independent Auditor's Report, 2009

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In accordance with *Government Auditing Standards*, I have also issued my report dated November 12, 2009 on my consideration of the authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis listed in the table of contents, is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements which collectively comprise the authority's basic financial statements. The financial data schedule and other supplementary information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the authority. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

William Daniel McCaskill

William Daniel McCaskill, CPA
A Professional Accounting Corporation

November 12, 2009

HOUSING AUTHORITY OF ARCADIA, LA

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

June 30, 2009

Housing Authority of Arcadia, LA
Management's Discussion and Analysis (MD&A)
June 30, 2009

The management of Public Housing Authority of Arcadia, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending June 30, 2009. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's Included audited financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$1,035,436 at the close of the fiscal year ended 2009.
 - ✓ Of this amount \$776,787 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - ✓ The remainder of \$258,649 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 54% of the total operating expenses of \$847,424 for the fiscal year 2009, which means the Authority might be able to operate about 6 months using the unrestricted assets alone, which compares less favorably with 7 months in the prior fiscal year.
- The Housing Authority's total net assets decreased by \$347,933, a 25% change from the prior fiscal year 2008. This decrease is attributable to significant increases in Federal grants for both operations and capital improvements, described in more detail below.
- The decrease in net assets of these funds was accompanied by an increase in unrestricted cash by \$569 from fiscal year 2008.
- The Authority spent \$10,891 on capital asset additions and \$6,896 on construction in progress during the current fiscal year.
- These changes led to a decrease in total assets by \$376,984 and a decrease in total liabilities by \$29,051. As related measure of financial health, there are still over \$3 of current assets covering each dollar of total current and long-term liabilities, which compares favorably with \$3 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2009?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

The Housing Authority accounts for all financial activity in a single enterprise fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

- Low Rent Public Housing
- Public Housing Capital Fund Program

Housing Authority of Arcadia, LA
Management's Discussion and Analysis (MD&A)
June 30, 2009

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$1,035,436 as of June 30, 2009. Of this amount, \$776,787 was invested in capital assets, and the remaining \$258,649 was unrestricted. No other specific Assets are restricted. Also, there are no other restrictions on general Net Assets.

CONDENSED FINANCIAL STATEMENTS

Condensed Balance Sheet (Excluding Interfund Transfers) As of June 30, 2009		
	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets	\$ 373,748	\$ 401,591
Capital assets, net of depreciation	<u>776,787</u>	<u>1,125,928</u>
Total assets	<u><u>1,150,535</u></u>	<u><u>1,527,519</u></u>
LIABILITIES		
Current liabilities	106,650	138,307
Non-current liabilities	<u>8,449</u>	<u>5,843</u>
Total liabilities	<u>115,099</u>	<u>144,150</u>
NET ASSETS		
Invested in capital assets, net of depreciation	776,787	1,125,928
Unrestricted net assets	<u>258,649</u>	<u>257,441</u>
Total net assets	<u>1,035,436</u>	<u>1,383,369</u>
Total liabilities and net assets	<u><u>1,150,535</u></u>	<u><u>1,527,519</u></u>

Housing Authority of Arcadia, LA
Management's Discussion and Analysis (MD&A)
June 30, 2009

CONDENSED FINANCIAL STATEMENTS (Continued)

The net assets of these funds decreased by \$347,933, or by 25%, from those of fiscal year 2008, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets (Excluding Interfund Transfers) Fiscal Year Ended June 30,		
	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Tenant rental revenue	\$ 154,859	\$ 145,012
Federal Grants for operations	319,570	253,127
Other tenant revenue	-	73
Total operating revenues	<u>474,429</u>	<u>398,212</u>
OPERATING EXPENSES		
Depreciation	366,928	407,463
Maintenance and repairs	191,530	159,929
Administration	177,274	175,871
General	84,423	65,865
Utilities	16,222	15,679
Tenant services	8,727	33,641
Protective services	2,320	5,054
Total operating expenses	<u>847,424</u>	<u>863,502</u>
(Losses) from operations	<u>(372,995)</u>	<u>(465,290)</u>
NON-OPERATING REVENUES		
Other non-tenant revenue	16,027	2,996
Interest income	3,925	14,781
Total Non-Operating Revenues	<u>19,952</u>	<u>17,777</u>
NON-OPERATING EXPENSES		
(Losses) after non-operating revenues	(353,043)	(447,513)
OTHER CHANGES IN NET ASSETS		
Federal grants for capital expenditures	<u>5,110</u>	<u>74,743</u>
NET (DECREASES) IN NET ASSETS	(347,933)	(372,770)
NET ASSETS, end of fiscal year	<u><u>1,035,436</u></u>	<u><u>1,383,369</u></u>

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues decreased \$46,828, or by 10%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Federal Capital Funds from HUD decreased by \$69,633, or by 93% from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2005 through 2009, and submitted a new grant during fiscal year 2010.
- Total other non-operating revenue increased by \$13,031 from that of the prior fiscal year. The revenue increased because the authority received dividend money on Workman's Compensation and General Liability.
- Total tenant revenue increased from that of the prior fiscal year, due to these major factors: Tenant rental revenues increased by \$9,847, or by 7%, and because the amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal incomes increased, so rent revenue from these tenants increased accordingly, raising the overall total.
- Interest income and Tenant revenues totaling \$158,783, did not change significantly from the prior to the current year.

Compared with the prior fiscal year, total operating and non-operating expenses increased \$57,603, or by 7%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below in order of impact from greatest to least:

- General and administrative expenses increased by \$19,960, or by 8% from that of the prior fiscal year, primarily due to increases in property and casualty insurance premiums.
- Maintenance and repairs increased by \$30069, or by 18% from that of the prior fiscal year, primarily due to increased contract cost.
- Depreciation expense decreased by \$40,535, or by 10% from that of the prior fiscal year, because there was an increase in capital assets by \$17,787.
- Tenant Services decreased by \$24,914, or by 74% from that of the prior fiscal year, due to a combination of factors: staff salaries decreased by \$16,709, or by 78%, and related employee benefit contributions decreased by \$6,963, or by 74%.
- Protective services decreased by \$2,734, or by 54% from that of the prior fiscal year, due to a combination of factors: staff salaries decreased by \$1,200, or by 34%, and related employee benefit contributions decreased by \$1,534.
- Tenant services, totaling \$8,727, did not change significantly from the prior to the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Housing Authority of Arcadia, LA
Management's Discussion and Analysis (MD&A)
June 30, 2009

At June 30, 2009, the Housing Authority had a total cost of \$5,770,392 invested in a broad range of assets and construction in progress from projects funded in 2005 through 2009, listed below. This amount, not including depreciation, represents increases of \$17,787 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets, Net of Accumulated Depreciation
As of June 30, 2009**

	<u>2009</u>	<u>2008</u>
Land	\$ 38,695	\$ 38,695
Construction in progress	73,869	68,761
Buildings	530,376	857,968
Leasehold improvements	106,967	123,044
Furniture and equipment	<u>26,880</u>	<u>37,460</u>
Total	<u>776,787</u>	<u>1,125,928</u>

As of the end of the 2009 fiscal year, the Authority is still in the process of completing HUD grants of \$970,846 obtained during 2005 through 2009 fiscal years.

Debt

Non-current liabilities also include accrued annual vacation leave due to employees. The Housing Authority has not incurred any mortgages or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2010 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Patti Martin, at Public Housing Authority of Arcadia, Louisiana; P.O. Box 210; Arcadia, LA 71001.

Exhibit A

Housing Authority of the Town of Arcadia
Arcadia, Louisiana
Statement of Net Assets
As of June 30, 2009

ASSETS**Current assets**

Cash and cash equivalents	312,151
Receivables:	
HUD	3,222
Tenant rents, net of allowance	684
Accrued interest receivable	1,705
Miscellaneous, net of allowance	3,188
Prepaid insurance	40,942
Inventory, net of allowance	<u>853</u>

Total current assets 362,745

Restricted assets

Cash and cash equivalents	<u>11,003</u>
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Noncurrent assets

Capital assets:

Nondepreciable capital assets:

Land	38,695
Construction in progress	<u>73,870</u>
Total nondepreciable capital assets	<u>112,564</u>

Depreciable capital assets:

Buildings and improvements	5,480,308
Furniture and equipment	177,519
Less accumulated depreciation	<u>(4,993,605)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>664,222</u>

Total capital assets, net of accumulated depreciation 776,787

Total assets 1,150,535

(continued)

Exhibit A

**Housing Authority of the Town of Arcadia
Arcadia, Louisiana
Statement of Net Assets
As of June 30, 2009**

LIABILITIES**Current Liabilities**

Accounts payable	11,647
Payable to other governments	26,804
Accrued wages payable	6,738
Accrued compensated absences	4,926
Deferred revenue	<u>45,532</u>

Total current liabilities	<u>95,647</u>
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Liabilities Payable from Restricted Assets

Security deposit liability	<u>11,003</u>
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Noncurrent liabilities

Accrued compensated absences	<u>8,449</u>
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Total noncurrent liabilities	<u>8,449</u>
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Total liabilities	<u>115,099</u>
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NET ASSETS

Invested in capital assets, net of related debt	776,787
Restricted	-
Unrestricted	<u>258,649</u>

Total net assets	<u><u>\$ 1,035,436</u></u>
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The accompanying notes are an integral part of these financial statements.

Housing Authority of the Town of Arcadia
Arcadia, Louisiana
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year ended June 30, 2009

Operating Revenues	
Operating Grants	319,570
Dwelling Rental	<u>154,859</u>
Total operating revenues	<u>474,429</u>
Operating Expenses	
General and administrative	261,697
Repairs and maintenance	191,530
Utilities	16,222
Tenant services	8,727
Protection services	2,320
Depreciation and amortization	<u>366,928</u>
Total operating expenses	<u>847,424</u>
Operating income (loss)	(372,994)
Nonoperating Revenues (Expenses):	
Interest revenue	3,924
Interest (expense)	
Miscellaneous revenues	<u>16,027</u>
Total nonoperating revenues (expenses)	<u>19,951</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(353,043)
Capital contributions (grants)	5,110
Increase (decrease) in net assets	(347,933)
Net assets, beginning of year	<u>1,383,369</u>
Net assets, end of year	<u><u>\$ 1,035,436</u></u>

The accompanying notes are an integral part of these financial statements.

**Housing Authority of the Town of Arcadia
Statement of Cash Flows
For the Year ended June 30, 2009**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from federal subsidies	\$ 319,570
Receipts from tenants	154,075
Payments to suppliers	(338,014)
Payments to employees	<u>(142,336)</u>
Net cash provided by operating activities	<u>(6,705)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Miscellaneous revenues	<u>16,027</u>
Net cash provided by noncapital financing activities	<u>16,027</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital grants	5,110
Purchase and construction of capital assets	<u>(17,788)</u>
Net cash (used in) capital and related financing activities	<u>(12,678)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>3,924</u>
Net cash provided by investing activities	<u>3,924</u>

Net increase (decrease) in cash and cash equivalents	<u>568</u>
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Cash and cash equivalents - beginning of year	<u>322,586</u>
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Cash and Cash equivalents - unrestricted	312,151
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Cash and Cash equivalents - restricted	11,003
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Total Cash and Cash Equivalents - end of year	<u>\$ 323,154</u>
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Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating (loss)	\$ (372,994)
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Adjustments to reconcile operating (loss) to net cash provided by operating activities:

Depreciation and amortization	366,928
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Changes in assets and liabilities:

HUD receivable	30,847
Tenant rents, net of allowance	(211)
Prepaid insurance	(5,851)
Inventories	2,697
Accounts payable	318
Accrued wages payable	(1,188)
PILOT Payable	(4,548)
Accrued compensated absences	3,974
Other liability	(26,103)
Security deposit liability	<u>(574)</u>

Net cash provided by operating activities	<u>\$ (6,705)</u>
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The accompanying notes are an integral part of the financial statements

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements

For Fiscal Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

(1) Reporting Entity

The Housing Authority of The Town of Arcadia (the authority) was chartered as a public corporation under the laws of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations for the residents of the Town of Arcadia, Louisiana. This formation was contingent upon the approval of the city.

The authority is governed by a Board of Commissioners (Board), which is composed of five members appointed by the city and serve five-year staggered terms. The Board of the authority exercises all powers granted to the authority.

GASB Statement No. 14 established criteria for determining the governmental reporting entity. Under provisions of this statement, the authority is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB 14, fiscally independent means that the authority may, without the approval or consent of another governmental entity, determine or modify its own budget, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, and issue bonded debt. The authority has no component units, defined by GASB 14 as other legally separate organizations for which the elected authority members are financially accountable.

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements, 2009 – Continued

The authority is a related organization of the Town of Arcadia, Louisiana since the city appoints a voting majority of the authority's governing board. The city is not financially accountable for the authority as it cannot impose its will on the authority and there is no potential for the authority to provide financial benefit to, or impose financial burdens on, the city. Accordingly, the authority is not a component unit of the financial reporting entity of the city.

(2) Funds

The accounts of the authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the authority are classified as proprietary. The general fund accounts for transactions of all of the authority's programs.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the authority's enterprise fund are HUD operating grants and subsidies, and tenant dwelling rents. Operating expenses include General and Administrative expenses, repairs and maintenance expenses, utilities and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The accompanying basic financial statements of the authority have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB statement No. 34, Basic Financial Statements and Managements discussion and Analysis—for State and Local Governments, which was unanimously approved in June 1999 by the GASB.

(3) Measurement focus and basis of accounting

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements, 2009 – Continued

Proprietary funds are accounted for on the flow of economic resources measurement focus and the *accrual* basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this management focus all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

(4) Assets, liabilities, and net assets

(a) Deposits

The authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. HUD regulations, state law and the authority's investment policy allow the housing authority to invest in collateralized certificates of deposit and securities backed by the federal government.

(b) Inventory and prepaid items

All inventories are valued on a first-in first-out (FIFO) basis. Inventories consist of expendable building materials and supplies held for consumption in the course of the authority's operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

(c) Restricted Assets

Cash equal to the amount of tenant security deposits is reflected as restricted.

(d) Capital assets

Capital assets of the authority are included in the statement of net assets and are recorded at actual cost. The capitalization threshold is \$500. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements, 2009 – Continued

Property, plant, and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

Buildings	20 years
Modernization and improvements	10 years
Furniture and equipment	3-5 years

(e) Due from/to other governments or agencies

Amounts due from/to the authority to/by other governments or agencies are generally for HUD grants or programs under which the services have been provided by the authority. The authority also records an amount due to the various taxing districts within the region for payments in lieu of taxes.

(f) Allowance for doubtful accounts

The authority provides an allowance for doubtful accounts, as needed, for accounts deemed not collectible. At June 30, 2009, the management of the authority established an allowance for doubtful accounts of approximately \$7,304.

(g) Compensated absences

It is the authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with the provisions of GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation and sick pay is accrued when incurred and reported as a liability. Employees may accumulate an unlimited number of annual and sick leave hours. Employees may accumulate an unlimited number of annual leave hours. Depending on their length of service, employees receive payment for up to 300 annual leave hours upon termination or retirement at their then current rate of pay. Employees are not compensated for unused sick leave. The cost of current leave privileges, computed in accordance with GASB Codification Section C60 is recognized as a current year expense when leave is earned.

(h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the government-wide financial statements and reported amounts of revenues

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements, 2009 – Continued

and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – DEPOSITS

Deposits are stated at cost, which approximates fair value. Under state law and/or federal regulation, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of federal securities. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

As of June 30, 2009, the authority's carrying amount of deposits was \$323,154, which includes the following:

Cash and cash equivalents-unrestricted	\$312,151
Cash and cash equivalents- restricted	11,003
Total	\$323,154

Interest Rate Risk—The authority's policy does not address interest rate risk.

Credit Rate Risk—Since all of the authority's deposits are federally insured and/or backed by federal securities, the authority does not have credit rate risk.

Custodial Credit Risk—This is the risk that in the event of a bank failure, the authority's deposits may not be returned to it. The authority does not have a policy for custodial credit risk. \$343,537 of the authority's total deposits were covered by federal depository insurance, and do not have custodial credit risk. The remaining \$11,050 of deposits have custodial credit risk, but were collateralized with securities held by the pledging financial institution trust department or agent. The bank balances as of June 30, 2009 totaled \$354,587.

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements, 2009 – Continued

NOTE C - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>30-Jun- 08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustment</u>	<u>30-Jun- 09</u>
Nondepreciable Assets:					
Land	38,695				38,695
Construction in Progress	68,760	5,110	-	-	73,870
Depreciable Assets:					
Building and improvements	5,478,521	1,786	-	-	5,480,307
Furniture and equipment	<u>166,628</u>	<u>10,892</u>	<u>-</u>	<u>-</u>	<u>177,520</u>
Total	<u>5,752,604</u>	<u>17,788</u>	<u>-</u>	<u>-</u>	<u>5,770,392</u>
Less accumulated depreciation					
Building and improvements	4,495,346	348,161	-	-	4,843,507
Furniture and equipment	<u>131,330</u>	<u>18,767</u>	<u>-</u>	<u>-</u>	<u>150,097</u>
Total accumulated depreciation	<u>4,626,676</u>	<u>366,928</u>	<u>-</u>	<u>-</u>	<u>4,993,604</u>
Net Capital Assets	<u>1,125,928</u>	<u>(349,140)</u>	<u>-</u>	<u>-</u>	<u>776,787</u>

NOTE D – LEASES

During the year ended June 30, 2007, the authority entered into a capital lease for a copier. The lease is considered immaterial and has been presented as an operating lease.

The lease requires monthly payments of \$191 for 60 months beginning July 2007. Rent expense for the fiscal year ended totaled \$2,292 and is included in administrative expenses in the accompanying financial statements. The minimum annual commitments under the non-cancelable lease is as follows:

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements, 2009 – Continued

	<u>Fiscal Year Ending</u>	<u>Amount</u>
2010		\$2,292
2011		2,292
2012		2,292
Total		<u>\$6,876</u>

NOTE E – CONSTRUCTION COMMITMENTS

The authority has active construction projects as of June 30, 2009. At year end, the commitments with contractors are as follows:

<u>Projects</u>	<u>Expended to Date</u>	<u>Remaining Commitment</u>
CFP 2006	\$85,828	\$72,267
CFP 2007		117,335
CFP 2008		94,648
Total	<u>\$85,828</u>	<u>\$284,250</u>

NOTE F – COMPENSATED ABSENCES

At June 30, 2009, employees of the authority have accumulated and vested \$13,375 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements. \$8,449 is reported in long-term debt.

NOTE G - RETIREMENT PLAN

The authority provides a Simplified Employee Pension whereby the employer agrees to provide discretionary contributions to the individual retirement accounts (IRAs) of its eligible employees. During the year the authority contributed \$12,746 to employee IRAs.

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements, 2009 – Continued

NOTE H – RISK MANAGEMENT

The authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The authority's risk management program encompasses obtaining property and liability insurance.

The authority transfers risk of loss by participating in a public entity risk pool and contracting with a commercial insurance carrier for all major categories of exposed risk.

This includes coverage of property, general liability, public liability, and workers compensation. The risk pool and insurance contracted are obligated to meet settlements up to the maximum coverage, after the authority's deductions are met.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, there have been no significant claims that have exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE I – COMMITMENTS AND CONTINGENCIES

Please see Management Letter Comment number ML-2009-1, included with the printed audit report, for further details of this issue.

Prior to current management being hired the Arcadia Housing Authority (AHA) maintained a credit card with a national credit card company. After current management was hired neither current management nor the Board of Commissioners was aware that the credit card account was still in existence.

It appears that a former staff member had the credit card company use a personal mailing address mailing statements and other communications. It appears that the former staff member utilized the credit card for personal uses after employment termination and paid the monthly balances using personal funds. It appears the result is that AHA incurred immaterial payables (the credit card credit limit identified to me was immaterial to the AHA financials). Accordingly, AHA has not recorded any transactions in the GL to reflect potential commitments and contingencies.

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Notes to the Financial Statements, 2009 – Continued

NOTE J – FEDERAL COMPLIANCE CONTINGENCIES

The authority is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

NOTE K – ECONOMIC DEPENDENCE

Statement of Financial Accounting Standard (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The Department of Housing and Urban Development provided \$324,680 to the authority, which represents approximately 65% of the authority's total revenue for the year.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Housing Authority of the Town of Arcadia
Arcadia, Louisiana

I have audited the financial statements of the Housing Authority of the Town of Arcadia (the authority), as of and for the year ended June 30, 2009, the authority's basic financial statements and have issued my report thereon dated November 12, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the authority's financial statements that is more than inconsequential will not be prevented or detected by the authority's internal control.

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Report on Internal Control... *Government*

Auditing Standards, 2009

Page Two

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted a certain matter that I reported to management of the authority in a separate letter dated November 12, 2009.

This report is intended solely for the information and use of the board of commissioners and management, others within the organization, the Louisiana Legislative Auditor and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

William Daniel McCaskill

William Daniel McCaskill, CPA
A Professional Accounting Corporation

November 12, 2009

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Schedule of Current Audit Findings
Fiscal Year Ended June 30, 2009

Summary Schedule of Auditor's Results:

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the authority.
2. There were no significant deficiencies required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States of America.
3. There were no instances of noncompliance considered material, as defined by the *Government Auditing Standards*, to the financial statements.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

Schedule 2

HOUSING AUTHORITY OF THE TOWN OF ARCADIA
Arcadia, Louisiana

Schedule of Prior Year Audit Findings
Fiscal Year Ended June 30, 2009

There were no findings in the prior audit.

Schedule 3

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Compensation Paid Board Members

For Fiscal Year Ended June 30, 2009

Bonnie Critton	\$ 1,800
Eula Murphy	\$ 1,200
Travis Stewart	\$ 1,200
Marsha Weaver	\$ 1,200
Mattie Nelson	\$ 1,200

Housing Authority of the Town of Arcadia
Financial Data Schedule

Entity Wide Balance Sheet Summary

LA045	06/30/2009	Audited/Non-A-133							
			Project Total	COC	Subtotal	ELIM	Total		
111 Cash - Unrestricted			312151		312151		312151		
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted									
114 Cash - Tenant Security Deposits			11003		11003		11003		
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash			323154		323154		323154		
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects			3222		3222		3222		
124 Accounts Receivable - Other Government									
125 Accounts Receivable - Miscellaneous			3188		3188		3188		
126 Accounts Receivable - Tenants			7988		7988		7988		
126.1 Allowance for Doubtful Accounts - Tenants			-7304		-7304		-7304		
126.2 Allowance for Doubtful Accounts - Other			0		0		0		
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery									
128.1 Allowance for Doubtful Accounts - Fraud									
129 Accrued Interest Receivable			1705		1705		1705		
120 Total Receivables, Net of Allowances for Doubtful Accounts			8799		8799		8799		
131 Investments - Unrestricted									

**Housing Authority of the Town of Arcadia
Financial Data Schedule**

132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	40942	40942		40942
143 Inventories	853	853		853
143.1 Allowance for Obsolete Inventories	0	0		0
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	373748	373748		373748
161 Land	38695	38695		38695
162 Buildings	5091240	5091240		5091240
163 Furniture, Equipment & Machinery - Dwellings	29807	29807		29807
164 Furniture, Equipment & Machinery - Administration	147713	147713		147713
165 Leasehold Improvements	389067	389067		389067
166 Accumulated Depreciation	-4993605	-4993605		-4993605
167 Construction in Progress	73870	73870		73870
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	776787	776787		776787
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	776787	776787		776787
190 Total Assets	1150535	1150535		1150535

Housing Authority of the Town of Arcadia
Financial Data Schedule

311 Bank Overdraft				
312 Accounts Payable <= 90 Days	11647			11647
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	6738			6738
322 Accrued Compensated Absences - Current Portion	4926			4926
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	26804			26804
341 Tenant Security Deposits	11003			11003
342 Deferred Revenues	45532			45532
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other				
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	106650			106650
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other				
354 Accrued Compensated Absences - Non Current	8449			8449
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				

**Housing Authority of the Town of Arcadia
Financial Data Schedule**

357	Accrued Pension and OPEB Liabilities				
350	Total Non-Current Liabilities	8449		8449	
300	Total Liabilities	115099		115099	
508.1	Invested In Capital Assets, Net of Related Debt				
509.2	Fund Balance Reserved	776787		776787	
511.2	Unreserved, Designated Fund Balance				
511.1	Restricted Net Assets				
512.1	Unrestricted Net Assets	258649		258649	
512.2	Unreserved, Undesignated Fund Balance				
513	Total Equity/Net Assets	1035436		1035436	
600	Total Liabilities and Equity/Net Assets	1150535		1150535	

Housing Authority of the Town of Arcadia
Financial Data Schedule

Entity Wide Revenue and Expense Summary

LA045	06/30/2009	Audited/Non-A-133		Project Total	COCC	Subtotal	ELJM	Total
70300	Net Tenant Rental Revenue			154859		154859		154859
70400	Tenant Revenue - Other							
70500	Total Tenant Revenue			154859		154859		154859
70600	HUD PHA Operating Grants			319570		319570		319570
70610	Capital Grants			5110		5110		5110
70710	Management Fee							
70720	Asset Management Fee							
70730	Book Keeping Fee							
70740	Front Line Service Fee							
70750	Other Fees							
70700	Total Fee Revenue							
70800	Other Government Grants							
71100	Investment Income - Unrestricted			3924		3924		3924
71200	Mortgage Interest Income							
71300	Proceeds from Disposition of Assets Held for Sale							
71310	Cost of Sale of Assets							
71400	Fraud Recovery							
71500	Other Revenue			16027		16027		16027
71600	Gain or Loss on Sale of Capital Assets							

Housing Authority of the Town of Arcadia Financial Data Schedule

72000 Investment Income - Restricted			
70000 Total Revenue	499490		499490
91100 Administrative Salaries	68086		68086
91200 Auditing Fees	16833		16833
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	31910		31910
91600 Office Expenses	26660		26660
91700 Legal Expense	6050		6050
91800 Travel	16481		16481
91810 Allocated Overhead			
91900 Other	11254		11254
91000 Total Operating - Administrative	177274		177274
92000 Asset Management Fee			
92100 Tenant Services - Salaries	4835		4835
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services	2424		2424
92400 Tenant Services - Other	1468		1468
92500 Total Tenant Services	8727		8727
93100 Water	401		401
93200 Electricity	14023		14023
93300 Gas	1553		1553
93400 Fuel			

**Housing Authority of the Town of Arcadia
Financial Data Schedule**

93500 Labor				
93600 Sewer		245		245
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities		16222		16222
94100 Ordinary Maintenance and Operations - Labor		69415		69415
94200 Ordinary Maintenance and Operations - Materials and Other		42413		42413
94300 Ordinary Maintenance and Operations Contracts		47082		47082
94500 Employee Benefit Contributions - Ordinary Maintenance		32620		32620
94000 Total Maintenance		191530		191530
95100 Protective Services - Labor		2320		2320
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services		2320		2320
96110 Property Insurance		41984		41984
96120 Liability Insurance		4295		4295
96130 Workmen's Compensation		9490		9490
96140 All Other Insurance		4052		4052
96100 Total Insurance Premiums		59821		59821
96200 Other General Expenses				
96210 Compensated Absences		9480		9480
96300 Payments in Lieu of Taxes		13864		13864

**Housing Authority of the Town of Arcadia
Financial Data Schedule**

96400	Bad debt - Tenant Rents	1258	1258	1258
96500	Bad debt - Mortgages			
96600	Bad debt - Other			
96800	Severance Expense			
96000	Total Other General Expenses	24602	24602	24602
96710	Interest of Mortgage (or Bonds) Payable			
96720	Interest on Notes Payable (Short and Long Term)			
96730	Amortization of Bond Issue Costs			
96700	Total Interest Expense and Amortization Cost	0	0	0
96900	Total Operating Expenses	480496	480496	480496
97000	Excess of Operating Revenue over Operating Expenses	18994	18994	18994
97100	Extraordinary Maintenance			
97200	Casualty Losses - Non-capitalized			
97300	Housing Assistance Payments			
97350	HAP Portability-In			
97400	Depreciation Expense	366928	366928	366928
97500	Fraud Losses			
97600	Capital Outlays - Governmental Funds			
97700	Debt Principal Payment - Governmental Funds			
97800	Dwelling Units Rent Expense			
90000	Total Expenses	847424	847424	847424
10010	Operating Transfer In	36534	36534	36534

Housing Authority of the Town of Arcadia Financial Data Schedule

10020	Operating transfer Out	-36534	-36534	-36534
10030	Operating Transfers from/to Primary Government			
10040	Operating Transfers from/to Component Unit			
10050	Proceeds from Notes, Loans and Bonds			
10060	Proceeds from Property Sales			
10070	Extraordinary Items, Net Gain/Loss			
10080	Special Items (Net Gain/Loss)			
10091	Inter Project Excess Cash Transfer In			
10092	Inter Project Excess Cash Transfer Out			
10093	Transfers between Program and Project - In			
10094	Transfers between Project and Program - Out			
10100	Total Other financing Sources (Uses)	0	0	0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-347934	-347934	-347934
11020	Required Annual Debt Principal Payments			
11030	Beginning Equity	1383370	1383370	1383370
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors			
11050	Changes in Compensated Absence Balance			
11060	Changes in Contingent Liability Balance			
11070	Changes in Unrecognized Pension Transition Liability			
11080	Changes in Special Term/Severance Benefits Liability			
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents			
11100	Changes in Allowance for Doubtful Accounts - Other			
11170	Administrative Fee Equity			
11180	Housing Assistance Payments Equity			
11190	Unit Months Available	1396	1396	1396

**Housing Authority of the Town of Arcadia
Financial Data Schedule**

11210	Number of Unit Months Leased	1396		1396	
11270	Excess Cash	186173		186173	
11610	Land Purchases	0		0	0
11620	Building Purchases	0		0	0
11630	Furniture & Equipment - Dwelling Purchases	0		0	0
11640	Furniture & Equipment - Administrative Purchases	0		0	0
11650	Leasehold Improvements Purchases	5110		5110	5110
11660	Infrastructure Purchases	0		0	0
13510	CFFP Debt Service Payments	0		0	0
13901	Replacement Housing Factor Funds	0		0	0

HOUSING AUTHORITY OF THE TOWN OF ARCADIA

Arcadia, Louisiana

Status of Prior Year management Letter Items
Fiscal Year Ended June 30, 2009

ML 2008-1 Late Audit

This is not repeated

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Management Letter

**Board of Commissioners
Arcadia Housing Authority
Arcadia, Louisiana**

In planning and performing my audit of the financial statements of the Housing Authority of the Town of Arcadia for the year ended June 30, 2009, I considered the Authority's internal control to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I noted certain matters involving internal control that is presented for your consideration. This letter does not affect my report dated November 12, 2009, on the financial statements of the authority. Management's response has also been included.

ML 2009-01 –

Prior to current management the Arcadia Housing Authority (AHA) maintained a credit card with a national credit card company. It appears that a former staff member had the credit card company use a personal address for statements and other communications. It appears that the former staff member utilized the credit card for personal uses after employment termination and paid the monthly balances using personal funds. It appears the result is that AHA incurred immaterial payables (the credit card credit limit identified to me was immaterial to the AHA financials). Accordingly, AHA has not recorded any transactions in the GL to reflect potential commitments and contingencies.

The AHA ED became aware of the existence of the credit card in April 2009 and immediately authorized termination of the account.

I am issuing a clean AHA audit report as of and for the year ending 6-30-2009. Based on the information provided I conclude the potential amount of AHA liability is immaterial to the financial statements.

Management letter (continued)

Recommendations for AHA to further address the issues include the following:

Require the credit card company to provide monthly statements for the missing periods of 8-23-05, 10-23-05, 11-23-05, 5-23-06, 8-23-06, 9-23-06, 12-23-06, 7-23-07, 1-23-09 and 4-23-09 through the present.

When the monthly statements are provided review them and confirm that all were paid timely and that any amount due did not amount to a material balance.

Confirm that the account was closed in 4-2009 when the ED instructed the credit card company to do so and that there is no balance due on the account.

If there is any account balance due per the credit card company at this time the AHA should dispute the balance and include with the dispute a description that the AHA Board of Commissioners did not authorize any credit activity on this account. This dispute wording should be included in any bonding claim.

State law requires AHA to notify the proper authorities immediately upon discovering any possible fraud relating to AHA activities. In an attempt to comply with State law AHA should immediately notify the local District Attorney (or City Police) and the AHA bonding company of the potential misuse of an AHA credit card. As soon as AHA receives the missing documents described in this Management Letter and arrives at a conclusion(s) it should provide them to the DA and the bonding company for consideration.

Request copies of AHA credit reports from all 3 of the major credit reporting agencies and compare the credit reports to the credit accounts the AHA actually uses. Investigate any accounts that appear unusual.

Management Response:

Management discovered this issue, immediately cancelled the credit card account, and notified the auditor of the issue. We are committed to aggressively disputing any AHA liability relating to this issue.

We concur with all of the auditors comments and agree to implement all of the auditors recommendations in order to properly deal with the issues. Recommendations we intend to follow include:

Securing copies of credit card monthly statements as identified above.

Review the monthly statements when received and confirm the balances were paid and did not exceed materiality.

Confirm the date the credit card account was closed as instructed by the ED.

Management letter (continued)

If there is any remaining account balance reported by the credit card company we will 1) dispute the balance with the credit card company, 2) include in the dispute that the Board of Commissioners did not authorize the charges to the account, 3) file a claim with the AHA bonding company.

AHA will immediately refer the matter to the District Attorney and the bonding company. After we gather additional documentation we will provide this to the DA and the bonding company

Request copies of AHA credit reports from all 3 major credit reporting agencies, compare reported account activity to our actual activity, and investigate any unusual differences.

Our audit procedures are designed primarily to enable us to form opinions on the financial statements of the authority, as of and for the year ending June 30, 2009, which collectively comprise the authority's basic financial statements, and therefore, may not reveal all weaknesses in policies and procedures that may exist.

This report is intended solely for the information and user of the Board, management, federal awarding agencies, and pass-thru entities and is not intended to be and should not be used by anyone other than these specified users. Although the intended use of these reports may be limited, under LRS 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

William Daniel McCaskill

William Daniel McCaskill, CPA, APAC
A Professional Accounting Corporation

November 12, 2009